



Q1 2019: Ireland Commercial Property Monitor

Capital value and rental expectations remain positive with the exception of secondary retail

The Q1 2019 Ireland Commercial Property Monitor results suggests the market maintains slightly positive momentum, albeit this marks a noticeable deceleration when compared to recent years. Indeed, the current readings for the Occupier and Investment Sentiment Indices, at +16 and +13 respectively, are two of the more modest figures posted since 2013 (chart 1).

That said, conditions continue to diverge at the sector level, with occupier demand still rising firmly for office and industrial space while retail appears to be stagnating (no growth reported in the past three quarters). Alongside this, respondents note that availability is now on the rise at both the headline level and within the office and retail segments.

Twelve month rental expectations are broadly in line with the Q4 results, as respondents still anticipate the prime office and industrial sectors

leading the way with approximately 4% growth (chart 8). At the other end of the spectrum, the rental outlook remains flat to marginally negative for secondary retail.

In terms of investment demand, enquiries from both domestic and overseas buyers continue to rise modestly for office and industrial assets. For retail, overall enquires are broadly flat in Q1, although a marginally negative trend is cited when it comes to international demand.

Capital value projections for the year ahead are slightly more modest compared with the previous quarter (chart 7). Even so, values are still seen rising to a greater or lesser degree in all but the secondary retail segment, where projections are flat to slightly negative.

Although the majority of survey participants continue to sense the market is in some stage of an upturn, 28% feel it has reached a peak.

Chart 1: RICS OSI and ISI

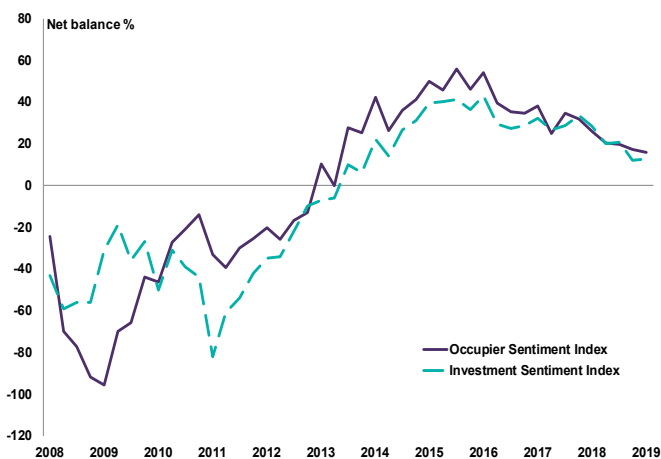


Chart 2: Three Month Rents, Capital Values

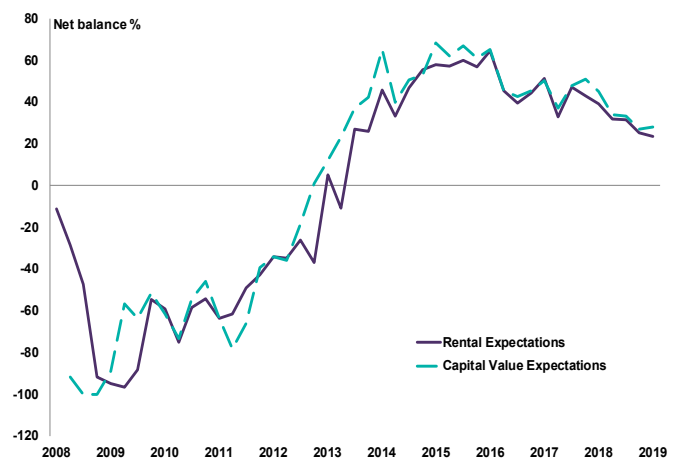


Chart 3: Occupier Market

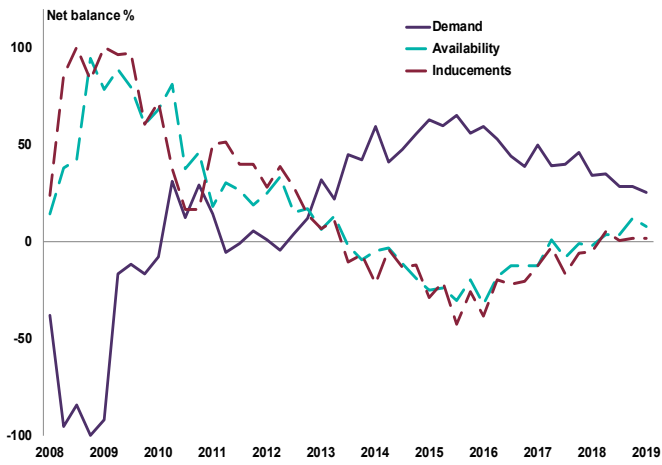


Chart 4: Investment Market

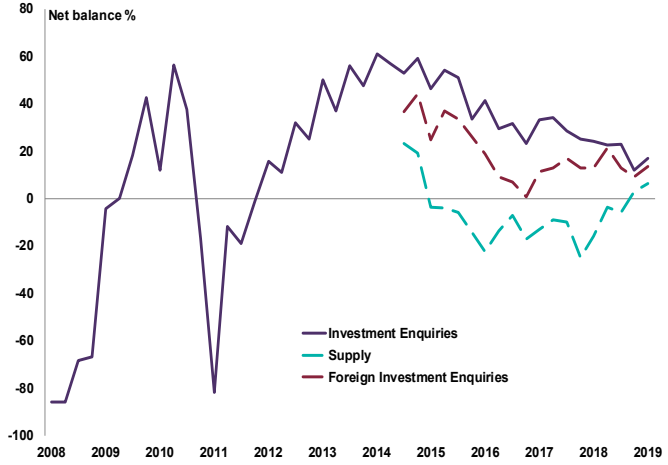


Chart 5: Credit Conditions



Chart 6: Valuations

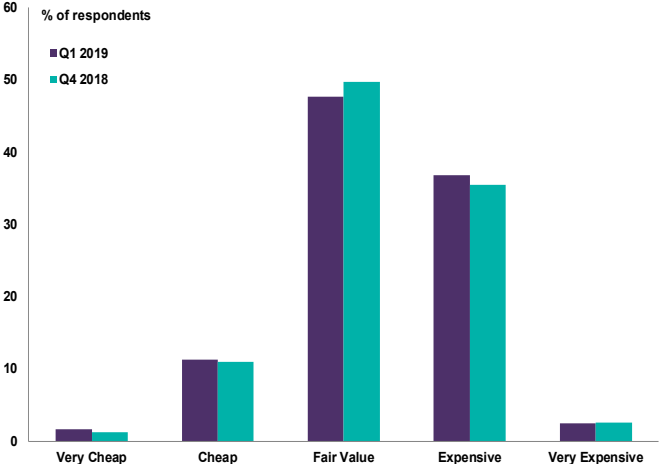


Chart 7: Twelve Month Capital Value Projections

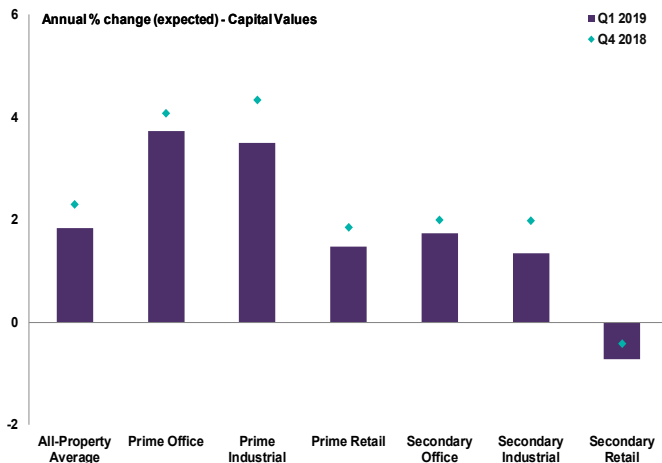


Chart 8: Twelve Month Rental Value Projections



Information

Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Survey questionnaires were sent out on 13 March 2019 with responses received until 14 April 2019. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 2901 company responses were received. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland. Responses for Spain and Portugal were collated in conjunction with Iberian Property. Responses for New Zealand were collated in conjunction with Property Council New Zealand.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

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